

GRANITE STATE TAXPAYERS

Ways & Means Committee

HB 482, HB 530 & HB 623 Hearings

January 23, 2019

GRANITE STATE TAXPAYERS

Granite State Taxpayers, is non-partisan, non-profit with a Mission to inform, educate and motivate New Hampshire taxpayers and to lobby the legislature on their behalf. We advocate for low taxes, balanced budgets, frugal, limited government that works within its constitutional authority, and local control.

Granite State Taxpayers has advocated for reducing the tax burden on New Hampshire businesses and individuals. We supported reductions in business taxes passed in prior legislative sessions.

RATIONALE FOR LOWER INDIVIDUAL AND BUSINESS TAX RATES

Taxes in general and taxing businesses in particular have a negative effect on economic development. A lower tax environment is desirable to individuals because they have the opportunity to retain a higher percentage of the results (wages) of their efforts (work). That allows individuals to spend, or save, more of their income, which drives economic growth.

Similarly, businesses have the perspective that a higher level of after tax income (due to lower tax rates) provides more funds for reinvestment, for hiring or compensating employees, for growing the business or other choices. Reducing taxes on businesses (along with reasonable regulation) provides a better opportunity to grow the economy in New Hampshire.

An example of the concept is the fact that people from other states come to New Hampshire to buy a variety of products (cigarettes, liquor, tires, etc.) because the lower tax structure in New Hampshire, particularly no sales tax, gives them the opportunity to reduce the cost for their purchases. Massachusetts has had "sales tax holidays" in order to boost economic activity.

Regarding corporate (business) taxes, it is unarguable that reducing rates has resulted in increased business activity in New Hampshire, as well as in the United States.

Gov. Chris Sununu on Thursday 12/28/18 reminded New Hampshire businesses and residents of additional cuts to the Business Profits Tax and Business Enterprise Tax, to take effect 1/4/19:

Sununu said. "Our commitment to creating a business-friendly climate in the Granite State continues into the new year, with a 2.5 percent reduction in the Business Profits Tax and 11 percent reduction in the Business Enterprise Tax. I'm incredibly proud that our management has led to more Granite Staters working than ever before, an increase in the number of young people moving to New Hampshire, and consumer confidence is at an all-time high. New Hampshire's economy is roaring — and with this new round of job-creating tax cuts, we continue to move in the right direction. We remain committed to a further 2.5 percent reduction of the Business Profits Tax and 16.6 percent reduction of the Business Enterprise Tax in 2021. The economic successes we create for individuals will continue to drive opportunity for the state."

A similar story is evident in the United States economy, with economic growth, lower unemployment, rising wages and businesses repatriating jobs and funds from higher tax countries.

Lower tax rates drive increased economic activity that results in greater tax revenue.

Granite State Taxpayers Supports Lower Business and Personal Tax Rates

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IF YOU WANT LESS OF SOMETHING OR SOME ACTIVITY, TAX IT MORE

HB 623 establishes the rates of the business profits tax and the business enterprise tax for taxpayer tax years ending on or after December 31, 2019 and for subsequent tax years, and repeals rate reductions effective in 2021.

HB482 establishes a process for transfers from the revenue stabilization reserve account when state revenues fall short of planned amounts, and adds contingent amendments of the rates of the business profits tax and business enterprise tax if the revenue stabilization reserve account would have a zero balance.

Both bills have the intent, directly in HB 623, or as a consequence of other economic indicators in HB 482, of increasing business tax rates, reversing the reductions of the prior years and thereby providing disincentives for business growth. More importantly, they indicate to business that the tax environment on which they base the plans will be eroded with a change in government. Such volatility is a disincentive to investment and economic growth.

HB 623 and HB 482 would overturn the recent reductions in business tax rates

Granite State Taxpayers Opposes HB623 and HB 482

IF YOU WANT MORE OF SOMETHING OR SOME ACTIVITY, TAX IT LESS

HB 530 reduces the rate of the tax paid on a transfer of real property for 2 years.

Granite State Taxpayers Supports HB 530